

IRS News Release

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Commissioner Everson Calls for Improvements to Refund Fraud Program

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WASHINGTON — IRS Commissioner Mark W. Everson today announced that he has directed a review of the Questionable Refund Program, which will include notification procedures pertaining to frozen refunds.

"We will announce plans in the very near future to institute notification procedures as well as significant processing improvements to minimize the number of taxpayers whose refunds are frozen unnecessarily," Everson said in announcing the review.

The IRS noted that members of Congress and the National Taxpayer Advocate have raised legitimate issues regarding the length of delay and lack of notification for refund claims and have called for changes to the program.

"Claiming fraudulent refunds ultimately undermines the integrity of the tax system, but I believe that appropriate notification should be given when refunds have been frozen," Everson said. "Honest taxpayers expecting a refund deserve to be treated fairly."

The IRS established the Questionable Refund Program (QRP) to deal with the serious problem of refund fraud, which has increased significantly in recent years. The IRS estimates that fraudulent refund claims now exceed a half-billion dollars a year. Congress has held a number of hearings urging the IRS to devote additional resources and improve its detection and prevention of fraudulent refunds, particularly those involving prisoners.

The typical fraudulent refund claim involves false income and withholding. A significant portion includes false Earned Income Tax Credit claims of up to \$4,400 per return.

According to the IRS, each year it receives more than 130 million individual income tax returns and issues over 100 million refunds totaling over \$200 billion. The QRP holds for further scrutiny less than 1 percent of refund returns. Of the refund claims held beyond the normal refund cycle, about 200,000 or 0.2 percent of all refund claims are held longer than one week, and many refunds are held for a period of months or even years.

The IRS has often not sent notices to those taxpayers whose refunds are held because some of these returns are subject to additional criminal investigation. Therefore, the taxpayers may be unaware that their refunds have been frozen.